



BIG 5 HLABISA LOCAL MUNICIPALITY

PROVISION FOR BAD DEBT POLICY

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1. Preamble

1.1 Council accepts and acknowledges its Constitutional duties towards the community of the Municipality.

1.2 Council further acknowledges that in order to deliver services in a sustainable manner, the said delivery of service will have to be conducted within Councils financial and administrative capacity.

1.3 Council therefore accepts its duty to prepare financial statements that truly reflects the financial position of the Municipality.

2. Debt associated with ownership of property (Rates accounts).

Debt raised by Council for the services rendered to registered owners of the property/land i.e. Assessment rates, Refuse removal will not be written-off except when the property is disposed off in the liquidation process and the proceeds do not cover the outstanding debt, the balance can then be written-off as irrecoverable.

PURPOSE

To ensure that sufficient provision for bad debt is provided for.

OBJECTIVES

A provision shall be recognized when:

An entity has a present obligation (legal or constructive) as a result of a past event, It is possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reasonable reliable estimate can be made of the amount of the obligation if these conditions are not met, no provision shall be recognized.

SCOPE

This policy applies to the provision for bad debts.

ROLE CLARIFICATION

The Municipal Manager as an Accounting Officer remains the overseeing authority over all the provisions made on behalf of Council.

The Chief Financial Officer must perform the provision management functions as prescribed in Section 97(d)(ii) of the Local Government Municipal Systems Act 2000 and the delegation authority of the Council as prescribed in Section 82 of the Municipal Finance Management act, 2003 (Act 56 of 2003).

DELEGATIONS

The Chief Financial Officer may delegate the provisions responsibility to either his either his deputy or the Revenue Manager as prescribed in Section 82 of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

ADMINISTRATION

The administration shall be done by the Chief Financial Officer or his delegates

ADMINISTRATION PROCEDURE

Annual provision for bad debt shall be provided for as follows:

- (a) 0% of all outstanding consumers with amount owing not older than 60 days and government
- (b) 50 % of all outstanding debts 90+ days and older based on the estimated age analysis of the financial year end of which the financial statements are drawn up for, and
- (c) 20% for + 60 days based on the estimated age analysis of the financial year end of which the financial statements are drawn up for.
- (d) Traffic fines shall be written off at 50% of the total debt.

Provision for bad debt shall be provided for the following services:

- (a) Rates
- (b) Refuse
- (c) Sundry Debtors
- (d) Traffic Fines

Debtors will be analysed in terms of concentrations of individual risk classes showing each individual ageing. National and provincial government will therefore be excluded as not high risk.

RECORDS AND REPORTS

The Chief Financial Officer or the delegated official must keep all provision transactions in accordance with General Recognized Accounting Practices.

The Chief Financial Officer or the delegated official must report to the Accounting Officer / Municipal Manager the provisions portfolio in a prescribed form as required by

the Municipal Regulation and must review and adjust the provisions with the adjustment budget

Adopted by Council On:.....

Resolution number:.....

MM Signature.....